

Reverse Mortgage and Interest Rates

Fixed rates

If your reverse mortgage has a fixed rate, the interest rate on your contract will not change for the duration of your rate term (e.g. 6-month, 1-year, 3-year, or 5-year fixed term).

Variable rates

If your reverse mortgage has a variable rate, the interest rate on your contract will be HomeEquity Bank's Prime Rate plus a fixed spread. The Prime Rate will fluctuate depending on market conditions, while the fixed spread is guaranteed for the term of your mortgage and will not change until your next reset date.

Prepayment privileges: How to avoid prepayment charges

Below are some examples of how you can avoid prepayment charges on your mortgage. The information below applies to Contract 33. If you have a different Contract Number your options may differ from below. Please refer to your mortgage agreement, your annual statement or call HomeEquity Bank at 1-866-331-2447 to determine your prepayment options.

- i. You have the option to prepay a portion or your entire mortgage balance, without prepayment charges, under certain circumstances:
 - On a single partial prepayment, up to 10% of the outstanding principal and interest made within 30 days following each anniversary date;
 - On a prepayment made after the 5th anniversary date and the payment is made within 30 days following a reset date;
 - On a prepayment made after the 5th anniversary date and you provide the Bank 3 months' written notice, instead of paying the prepayment charge.
- ii. When the last of the borrowers moves into a long-term care facility or retirement residence, prepayment charges are reduced by 50%;
- iii. When the last of the borrowers dies, prepayment charges are waived;

Please note that, unless you are paying the entire balance, some contracts require you to maintain a minimum balance.

Ways in which you can pay off your mortgage faster without having to pay a prepayment charge

The information below applies to Contract 33. If you have a different Contract Number your options may differ from below. Please refer to your mortgage agreement, your annual statement or call HomeEquity Bank at 1-866-331-2447 to determine your options.

- Making regular interest payments of a pre-determined amount.
- Taking advantage of prepayment privileges

Prepayment charges: Actions that may result in a prepayment charge

The information below applies to Contract 33. If you have a different Contract Number your options may differ from below. Please refer to your mortgage agreement, your annual statement or call HomeEquity Bank at 1-866-331-2447 to determine your prepayment charges.

- Paying an amount in excess of your 10% prepayment privilege in the first five (5) years of your contract;
- Paying an amount smaller than your 10% prepayment privilege but after 30 days following each anniversary date;
- Prepaying your mortgage (fully or partially) after five (5) years of your initial advance, but more than 30 days after your reset date;
- Not giving HomeEquity Bank 3 months' written notice if you are repaying your mortgage (fully or partially) after five (5) years of your initial advance;
- Porting your mortgage to another house (depending on the loan amount);
- Refinancing your loan with another lender;
- If your current rate is greater than the rate being offered by HomeEquity Bank for new reverse mortgages of a similar interest rate term.
- Having a fixed rate and switching rates outside of your interest reset window

How to calculate your prepayment charge

The information below applies to Contract 33. If you have a different Contract Number your options may differ from below. Please refer to your mortgage agreement, your annual statement or call HomeEquity Bank at 1-866-331-2447 to determine your prepayment charges. Alternatively, please refer to the following page on our website where we have a prepayment financial calculator which you can use to calculate your prepayment charge : <https://www.homeequitybank.ca/rates/>

Prepayment charges calculation depends on the year of the mortgage:

i. **Payment on or before the 3rd anniversary date:**

$$Charge = [Principal + Interest] \times B$$

- [Principal + Interest]: amount you want to pay over and above the 10% prepayment privilege described in the “Prepayment Privilege” section, if applicable
- B values as below:

Time of Payment	B
On or before your 1st anniversary date	5.00%
After your 1st anniversary date but on or before your 2nd anniversary date	4.00%
After your 2nd anniversary date but on or before your 3rd anniversary date	3.00%

ii. **Payment after the 3rd anniversary date:** prepayment charge is equivalent to three months’ interest, calculated as below

$$Charge = [Principal + Interest] \times \frac{Rate\%}{4}$$

- [Principal + Interest]: amount you want to pay over and above your 10% prepayment privilege, if applicable
- Rate: Your interest rate at the time you want to prepay

Note that, if your mortgage has a Planned Advance Account and a Lump Sum Account (i.e. if your Product is Income Advantage), the charge will be calculated as below:

$$Charge = [Principal + Interest]_{Planned Advance Account} \times \frac{Rate\%_{Planned Advance Account}}{4} + [Principal + Interest]_{Lump Sum Account} \times \frac{Rate\%_{Lump Sum Account}}{4}$$

iii. **Payment after the 5th anniversary date:**

- If you give us 3 months’ written notice: no prepayment charge applies
- If no notice is given: the charge is the equivalent of 3 months interest on the amount of principal and/or interest you are paying, calculated as in (ii).

You can calculate the estimated prepayment charge for your mortgage using calculators that can be found at www.homeequitybank.ca/rates. Please note that the calculations on the website will only provide an estimate of the prepayment charge. We recommend that you call HomeEquity Bank at 1-866-331-2447 for a more accurate estimate of your prepayment charges.

Examples of prepayment charge calculation

The examples below are for illustration purposes only and do not represent all situations in which your mortgage is subject to a prepayment charge. The examples below only apply to Contract 33. If your Contract Number is different than 33, your prepayment charges may differ from the below. Please refer to your mortgage agreement, your annual statement or call HomeEquity Bank at 1-866-331-2447 to determine your prepayment charges.

- Example 1: full repayment in Year Three (3), when your prepayment charge is 3% of your mortgage balance. Your Contract Number is 33 and your Product is CHIP Reverse Mortgage

Calculation	
I. Principal	\$150,000
II. Interest accrued since funding	\$24,000
III. = (I) + (II) Principal + Interest. This is the amount you want to prepay	\$174,000
B, as defined according to the mortgage year	3.00%
IV. Prepayment Privilege	10%
V. = (III) x (IV) Prepayment Privilege Amount is the amount you can repay without prepayment charges	\$17,400
VI. = (III) – (V) Amount subject to prepayment charges	\$156,600
VII. = (VI) * B Prepayment Charge is the amount you are repaying over your prepayment privilege times B	\$4,698

- Example 2: full repayment in Year Five (5), when your prepayment charge is Three Months' Interest. Your Contract Number is 33 and your Product is CHIP Reverse Mortgage

Calculation	
I. Principal	\$150,000
II. Interest accrued since funding	\$42,000
III. = (I) + (II) Principal + Interest. This is the amount you want to prepay	\$192,000
IV. Current Interest Rate	5.00%
V. Prepayment Privilege	10%
VI. = (III) x (V) Prepayment Privilege Amount is the amount you can repay without prepayment charges	\$19,200
VII. = (III) – (VI) Amount subject to prepayment charges	\$172,800
VIII. = (VII) x (IV) ÷ 12 which equals one-month interest on your balance	\$720
IX. = (VIII) x 3 The prepayment charge is equivalent to three months' interest	\$2,160

Are there any other fees in addition to prepayment charges?

If your mortgage is paid in full other fees may apply. Please consult www.homeequitybank.ca/fees for our fee schedule. In case of questions, please refer to your mortgage agreement or contact HomeEquity Bank at 1-866-331-2447 to determine your applicable fees.

Need more information?

For additional information regarding mortgages, getting approval for a loan and prepaying your loan faster, visit the Financial Consumer Agency (FCAC) website at <https://www.canada.ca/en/financial-consumer-agency.html>

The information provided above is for informational purposes only and is subject to change without notice. It is not intended to provide financial, legal, accounting or tax advice and should not be relied upon in that regard. Please refer to your mortgage agreement or call HomeEquity Bank at 1-866-331-2447 to determine your prepayment charges and your options to avoid them.